



**OFFICE OF THE
CHIEF FINANCIAL OFFICER
OFFICE OF BUDGET**

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April 4, 2025

Honorable Mary Sheffield., Council President Coleman A.
Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Fiscal Impact of Proportional Funding Resolution

Dear Council President Sheffield:

Please see attached Fiscal Impact Statement prepared by the Office of Budget for the above referenced item, pursuant to CFO Directive 2018-101-029: Fiscal Impact Statements. Upon review, please do not hesitate to contact me to discuss further.

Best regards,

Tanya Stoudemire
Interim CFO / Interim Budget Director

Att: CFO Fiscal Impact Statement No. 2025-110-003

cc: Honorable Detroit City Council
John Naglick, Jr., Chief Deputy CFO/Finance Director
Donnie Johnson, Deputy Budget Director
Malik Washington, City Council Liaison
David Whitaker, Director-Legislative Policy Division



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CFO FISCAL IMPACT STATEMENT NO. 2025-110-003

SUBJECT: Fiscal Impact of Proportional Funding Resolution

PREPARED BY: Office of the CFO – Office of Budget

DATE ISSUED: April 4, 2025

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the Chief Financial Officer (“CFO”) shall submit in writing to the Mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the Mayor or the governing body of the City (“City Council”) will have on the City’s annual budget and its four-year financial plan.
- 1.2. CFO Directive No. 2018-101-029 Fiscal Impact Statements states that the CFO shall issue Fiscal Impact Statements (“FIS”) for pending or enacted decision items with a significant fiscal impact on the City, as determined by the CFO, to provide financial information to the Mayor and the City Council as they consider action on proposed local policy or budgetary decision items.

2. PURPOSE

- 2.1. To provide financial information to the Mayor and the City Council as they consider the effect of the proportional funding formula for oversight agencies (the “proportional funding resolution”).

3. OBJECTIVE

- 3.1. This FIS serves as the report on the fiscal impact of the proposed on the City’s annual budget for FY 2025 and four-year financial plan for FY 2025 – FY 2028 (the “City budget”).

4. SCOPE

- 4.1. This FIS is not intended to convey any statements nor opinions on the advisability of the proposal, except for those components that have or may have a fiscal impact on the City budget.
- 4.2. This fiscal impact analysis is based on the proposed resolution as described below in Section 5 of this FIS. Should the proposal change prior to final approval, an updated FIS may be issued.

5. STATEMENT

- 5.1. Conclusion: If the City adheres to the provisions of the non-binding proposed resolution, it will have a **negative fiscal impact** on the City budget beginning in FY 2026.
- 5.2. Background: The 2012 Detroit City Charter required the City Council to establish a proportional method to fund the following City oversight agencies: Office of Inspector General (OIG), Office of Auditor General (OAG), Ombudsman, and Board of Ethics (BoE). The Charter also required City Council to adopt an equitable proportional method to fund

the oversight agencies within 90 days of the Charter's effective date and enact the proportional funding system. The former City Council did not adopt a proportional funding system within the 90-day limit after the enactment of the Charter. The current City Council did pass an ordinance on July 30, 2024, which outlined the procedures for the establishment of a proportional funding formula by City Council resolution.

The proportional funding formula - Target Proportional and Equitable Funding (TEF) percentage - is calculated by dividing an agency's target equitable funding amount, based on a projection of their proposed organizational structure and non-personnel operational costs, by the prior year general fund adopted budget. These projections do not appear to have an objective basis and thus pose a downside risk as changing leadership in these agencies could result in changing visions of what an ideal "proportional" budget looks like for each agency.

The resolution requires the creation of a minimum funding threshold for each oversight agency, if the City Council determines full funding is outweighed by the City's other critical needs. The alternative minimum funding formula would calculate the minimum funding amount by subtracting 10% of non-personnel costs for each department from the TEF prior to dividing the resulting amount by the prior-year General Fund adopted budget. Also, according to the resolution, City Council must conduct a review of the proportional funding method at least every 4 years to determine whether the method requires alteration.

- 5.3. Fiscal Impact: If the City adheres to the non-binding proportional funding resolution, it will have a **negative fiscal impact** on the City budget beginning in FY 2026. The FY 2026 Mayor Proposed Budget funds the four oversight agencies at a total of \$9.6m and 48 FTE. In comparison, the proportional funding resolution proposes total funding of \$13.7m and 64 FTE. This would reflect an overall increase of \$4.1m in expenses (43%) and 16 FTE (33%), compared to the FY 2026 Mayor Proposed budget. The following table breaks out the respective impacts across the four oversight agencies.

**City of Detroit
FIS - Proportional Funding Resolution**

FY26 Mayor Proposed Budget	FY 2026	
	Expense	FTE
OAG	\$ 5,384,629	21
BoE	591,195	4
OIG	1,926,150	11
Ombudsman	1,718,477	12
Total	\$ 9,620,451	48

FY26 Proposed Resolution	Expense	FTE
OAG	\$ 6,785,845	25
BoE	1,383,664	7
OIG	2,903,500	15
Ombudsman	2,662,733	17
Total	\$ 13,735,742	64

Fiscal Impact	Expense	FTE
OAG	\$ 1,401,216	4
BoE	792,469	3
OIG	977,350	4
Ombudsman	944,256	5
Total	\$ 4,115,291	16

Percent Change	Expense	FTE
OAG	26%	19%
BoE	134%	75%
OIG	51%	36%
Ombudsman	55%	42%
Total	43%	33%

APPROVED



Tanya Stoudemire
Interim CFO/Interim Budget Director